

VZCZCXRO7544
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHMD #0056/01 0220839
ZNR UUUUU ZZH
R 220839Z JAN 08
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC 4096
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHLA/AMCONSUL BARCELONA 3243

UNCLAS SECTION 01 OF 02 MADRID 000056

SIPDIS

SIPDIS

DEPARTMENT FOR EUR/WE AND EEB/IFD/OMA

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [ENRG](#) [EPET](#) [SCUL](#) [SOCI](#) [FR](#) [SP](#)

SUBJECT: MADRID WEEKLY ECON/COMMERCIAL/AG UPDATE - JANUARY
7 - JANUARY 11

MADRID 00000056 001.2 OF 002

Table of Contents:

ECON/EFIN: More Predictions of Financial Downturn
ECON/EPET: Repsol to Increase Diesel, Biodiesel Production
ECON/SCUL: Spanish Culture Minister Very Satisfied with
Florida Court Ruling on Odyssey
ECON/EINV: Showdown Between European Commission and GOS over
Endesa Takeover Restrictions
ECON/ENRG: More Electricity Connectivity Anticipated Between
France and Spain
SOCI/ECON: GOS Amends Housing Incentives to Encourage Renting

More Predictions of Financial Downturn

11. (U) The FT,s Leslie Crawford says: International
financial gridlock has destroyed the country,s recent bout
of economic euphoria. The article describes December,s bad
inflation and unemployment numbers, the international credit
squeeze, lower growth estimates and signs of falling house
prices. The article says that provincial towns are being
especially hard hit. Crawford notes that both political
parties are now emphasizing economics much more in the
election campaigns. (Comment: This FT page 3 story will
surely irritate the GOS. Government officials and even
PP-leaning businessmen complain about FT coverage of Spain.
The government,s line is best expressed by Labor Minister
Jesus Caldera: One bad quarter does not cancel out 15 good
ones. The opposition argues that the PSOE squandered a
PP-generated bonanza. The trend, if not the overall record,
benefits the opposition.) (Financial Times, 1/9/08)

Repsol to Increase Diesel, Biodiesel Production

12. (U) Spanish oil company Repsol announced on January 8 that
it had approved plans to invest 3.2 billion euros to increase
diesel production at its Cartagena (Spain) refinery. The
project would double the refinery's production to 11 million
tons per year and would partially focus on biodiesel
production. Repsol representatives anticipate that this
project will be completed in 2011 and will employ more than
6,000 workers along the way. Spain is the largest producer
of bioethanol in Europe and is rapidly expanding its
biodiesel production. Repsol is one the 10 largest oil and
gas companies in the world. (Repsol press release, 1/8/08).

Spanish Culture Minister Very Satisfied with Florida Court Ruling on Odyssey

13. (U) Spanish media reported heavily on the January 10 US
Magistrate Court judgment requiring Odyssey Marine
Exploration to hand over to the GOS all details pertaining to
the Black Swan shipwreck site and treasure find, including

its location. Odyssey has thus far been reluctant to share this information unless the GOS agreed to certain confidentiality restrictions; the ruling does include some

SIPDIS

confidentiality restrictions. The Florida judge also set a

SIPDIS

date of March 5 for parties to return to the court to determine whether Odyssey has fulfilled its obligations. The GOS has consistently asserted that the Black Sawn shipwreck is of Spanish provenance and that the U.S. company was not authorized to conduct salvage operations on it. The Spanish Culture Ministry has pronounced itself "very satisfied" with the ruling and says that it validates past GOS claims about the find. We have a previously-scheduled meeting with an Odyssey representative on January 17 and will report on the company's reaction. (All Media/Embassy, 1/11/08)

Showdown between European Commission and GOS over Endesa Takeover Restrictions

14. (U) In defiance of a European Commission (EC) ruling, the GOS has indicated it will not back off on conditions it imposed on the 2007 takeover of formerly state-owned electricity giant Endesa. Italian firm Enel and Spain's Acciona won their takeover bid for Endesa Spain (one of the largest utilities in the world) after a controversial and drawn out battle in which the GOS was heavily involved. In an effort to maintain a "Spanish fingerprint" on the company, the GOS mandated that Endesa be maintained as an independent company and brand and required that the company maintain its decision making center in Spain. The EC overruled these and other restrictions on December 5, giving the GOS until January 10 to repeal them. On January 10, the Spanish government sent a letter to the EC insisting that the conditions it imposed were legal. This matter will likely proceed to the European Court of Justice. (El Pais, 1/11/08)

More Electricity Connectivity Anticipated Between France and Spain

MADRID 00000056 002.2 OF 002

15. (U) During the January 10 Spain-France summit, President Zapatero and President Sarkozy agreed to construct a new high-tension electricity line between the two countries. The agreement includes plans to establish a consortium between Spain's electricity grid operator REE and its French counterpart RTE to oversee the construction. Spain, which already imports electricity from France, is a net exporter of electricity overall, transmitting large amounts of electricity to Portugal and some to Morocco. (Cinco Dias, 1/11/08)

GOS Amends Housing Incentives to Encourage Renting

16. (U) The GOS approved on January 11 amendments to its 2005-08 Housing Plan aimed at increasing the number of renters, especially among lower- and middle-income families. One change reduces the requirements on property owners seeking to qualify for a 6,000-euro subsidy for renting out their properties; they now can charge higher rents and rent out larger apartments and still qualify. Another allows autonomous community governments to add to the federal government subsidy for low-income renters. Another gives subsidized renters the ability to enter into contracts with their landlords that include the option of buying the homes they rent. This option already exists in many regions of the country, but the national government action will strengthen the protection of such clauses. The amendments also contain incentives for real estate developers to convert their unsold property into rental or other properties designated as "Officially-Protected Homes" (Viviendas de Proteccion Oficial.) Under Spanish law, builders can receive subsidies for building homes in exchange for agreeing to

price caps and other conditions. Typically these "Officially-Protected Homes" are newly constructed residences, but the new amendments would provide the option of adding used homes to the pool. The amendments also raise slightly the amount sellers are allowed to charge for properties in this pool. (GOS press release, 1/11/08)

AGUIRRE